

Message Text

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73

ACTION ARA-17

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 AGR-20 DODE-00 PM-07 H-02 L-03

NSC-10 PA-03 PRS-01 SS-15 USIA-12 RSR-01 /165 W

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R 181520 Z JUN 73

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 2500

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E. O. 11652: N/ A

TAGS: EFIN, AR

SUBJECT: PRICE CONTROL MEASURES

REF: BA-4182

1. IN ADDITION MAXIMUM PRICES REPORTED REFTTEL, GOA HAS ISSUED NEW LIST OF PRODUCTS- INCLUDING PREPARED MEATS, FLOUR, RICE, NOODLES, EGGS, AND BEER- ON WHICH MAXIMUM PRICES ESTABLISHED. ACCORDING TO MINISTRY OF COMMERCE FIGURES, PRICES FIXED TO DATE HAVE REPRESENTED SUBSTANTIAL REDUCTIONS, OVER 30 PERCENT ON SOME ITEMS, FROM PREVIOUS LEVELS, AND IF ENFORCED, WOULD MEAN SIGNIFICANT TRANSFER OF INCOME FROM AGRICULTURAL TO LABOR SECTOR.

2. UNDER TERMS OF DECREE ISSUED JUNE 9, NO PRICES MAY BE RAISED ABOVE JUNE 1 LEVEL. NO NEW PRODUCTS MAY BE INTRODUCED, AND FOR THOSE PREVIOUSLY EXISTING, NEW PACKAGING OR CHANGES IN BRANDS, SIZES, WEIGHTS, CONDITIONS OF SALES, ETC., MAY NOT BE INTRODUCED (PRESUMABLY TO PREVENT HIDDEN PRICE CHANGES). JUNE 1 PRICES MUST BE DECLARED IN SWORN STATEMENT TO MINISTRY OF COMMERCE. INCREASES MADE BETWEEN JANUARY 1 AND JUNE 1 WILL BE STUDIED, AND ADDITIONAL PRICE REDUCTIONS MAY BE ORDERED.

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3. PRICE AND INCOME COMMITTEE HAS BEEN ESTABLISHED WITH REPRESENTATIVES OF CGE, CGT, AND MINISTRY OF FINANCE. IT WILL FUNCTION AS PART OF ECONOMIC AND SOCIAL COUNCIL WHEN NECESSARY ADMINISTRATIVE STEPS HAVE BEEN TAKEN, AND IN INTERIM, UNDER MINISTRY OF FINANCE.

4. IN MEETING JUNE 13, UIA, WHICH REPRESENTS LARGE FIRMS, ANNOUNCED ITS MEMBERS WILL REVIEW PRICES AND MAKE REDUCTIONS ON ITEMS OF POPULAR CONSUMPTION TO " SUPPORT" STABILIZATION PLAN.

5. CGT HAS APPOINTED 1,000 " INSPECTORS" TO POLICE PRICE CONTROLS.

6. COMMENT: WHILE EFFORTS TO CONTROL PRICES ON BASIC ITEMS ARE LAUDABLE, REAL CAUSES OF INFLATION ARE YET TO BE DEALT WITH. TREASURY ANNOUNCED THAT FISCAL DEFICIT AT END OF MAY WAS 4,648 MILLION PESOS (GOA REVENUE BASIS) , A 44 PERCENT INCREASE ABOVE THE FIRST FOUR MONTHS OF 1973. CENTRAL BANK FINANCING ROSE TO 3,615 MILLION PESOS, A 48 PERCENT INCREASE OVER FIRST FOUR MONTHS OF YEAR . WITH MONEY CREATION RISING AT THIS RATE, PRICE CONTROLS ALONE SEEM RATHER INADEQUATE AS MEANS OF CONTROLLING INFLATION. CONSUMER PRICE INDEX FOR MAY NOT YET RELEASED, PROBABLY RESULT OF CHAOTIC SITUATION IN GOVERNMENT OFFICES GENERALLY IN PAST WEEK, BUT IT HAS BEEN UNOFFICIALLY REPORTED AT 2.5 - 3 .0 PERCENT; THIS WOULD YIELD INCREASE FOR PAST YEAR OF ABOUT 78 PERCENT, A SLIGHT INCREASE ABOVE MARCH AND APRIL ANNUAL RATES. GOOD SOURCE BELIEVES PROGRAM CAN BE HELD FOR A MAXIMUM OF TWELVE MONTHS. SHORT TERM POLITICAL SUCCESS CAN BE MEASURED BY COMING THIRD QUARTER COL RESULTS WHICH ARE TARGETED AT 50 TO 55 PERCENT ANNUAL RATE, A SHARP IMPROVEMENT.
LODGE

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